



City of Chula Vista Boards & Commissions

Housing Advisory Commission

Agenda

Notice is hereby given that the **Housing Advisory Commission** of the City of Chula Vista has called and will convene a Special Meeting on **Wednesday, November 13, 2013** in **Conference Room C101**, located at **276 Fourth Avenue, Building A**, Chula Vista, California to consider the item(s) on this agenda.

**SPECIAL MEETING OF THE HOUSING ADVISORY COMMISSION
OF THE CITY OF CHULA VISTA**

**Wednesday, November 13, 2013
4:00 p.m.**

**Conference Room C101
276 Fourth Avenue, Building A
Chula Vista**

CALL TO ORDER

ROLL CALL: Commissioners Hamilt, Minas, Quero, Torre, and Chair Uy

CONSENT CALENDAR

The Board/Commission will enact the Consent Calendar staff recommendations by one motion, without discussion, unless a Board/Commission Member, a member of the public, or staff requests that an item be removed for discussion. If you wish to speak on one of these items, please fill out a "Request to Speak" form and submit it to the Secretary prior to the meeting. Items pulled from the Consent Calendar will be discussed immediately following the Consent Calendar.

1. APPROVAL OF MINUTES FROM JULY 24, 2013

Staff recommendation: Review Attachment 1 and approve minutes.

PUBLIC COMMENTS

Persons speaking during Public Comments may address the Board/Commission on any subject matter within the Board/Commission's jurisdiction that is not listed as an item on the agenda. State law generally prohibits the Board/Commission from discussing or taking action on any issue not included on the agenda, but, if appropriate, the Board/Commission may schedule the topic for future discussion or refer the matter to staff. Comments are limited to three minutes.

ACTION ITEMS

The Item(s) listed in this section of the agenda will be considered individually by the Board/Commission and are expected to elicit discussion and deliberation. If you wish to speak on any item, please fill out a "Request to Speak" form and submit it to the Secretary prior to the meeting.

2. KIKU GARDENS APARTMENTS (1260 THIRD AVENUE) REHABILITATION

Staff recommendation: Review Attachment 2 and conditionally approve a tax exempt bond of up to \$12 Million for the rehabilitation of existing units at Kiku Gardens, a senior affordable complex.

3. RESOLUTION CHANGING THE TIME OF REGULAR MEETINGS

Staff recommendation: Review Attachment 3 and consider the adoption of the Resolution to change the quarterly (July, October, January, April) regular meeting time to 4 p.m. on the Fourth Wednesday of the month.

OTHER BUSINESS

4. STAFF COMMENTS

Update on the following projects/programs:

- Lofts on Landis
- Congregational Towers
- Community Housing Improvement Program
- First-Time Homebuyer

5. CHAIR'S COMMENTS

6. COMMISSIONERS'/BOARD MEMBERS' COMMENTS

ADJOURNMENT to the regular meeting on Wednesday, January 22, 2014 in Conference Room C101 at 276 Fourth Avenue, Building A, Chula Vista, California.

*Materials provided to the **Housing Advisory Commission** related to any open-session item on this agenda are available for public review in the **Housing Division**, Chula Vista during normal business hours.*

***In compliance with the
AMERICANS WITH DISABILITIES ACT***

The City of Chula Vista requests individuals who require special accommodations to access, attend, and/or participate in a City meeting, activity, or service, contact the Human Resources Department at (619) 691-5041 (California Relay Service is available for the hearing impaired by dialing 711) at least forty-eight hours in advance of the meeting.

**CITY OF CHULA VISTA
DRAFT MINUTES
HOUSING ADVISORY COMMISSION
SPECIAL MEETING**

Wednesday, July 24, 2013
4:00 P.M.

CITY HALL CONFERENCE ROOM C101
276 FOURTH AVENUE

CALL TO ORDER/ROLL CALL – 4:06 P.M.

PRESENT: Marshall "Dawes" Hamilt, Mark Minas, Sergio Quero, Lillian Uy

ABSENT: Mauricio Torre (excused)

STAFF: Stacey Kurz, Senior Project Coordinator
Jose Dorado, Project Coordinator

1. APPROVAL OF MINUTES

❖ 4/8/13 - Member Uy motioned to approve the minutes from the meeting of 4/8/13. Member Quero second the motion and all members agreed 4-0-0.

2. ELECTION OF NEW CHAIR AND VICE CHAIR FOR FISCAL YEAR 2013/2014

Member Quero motioned to elect Member Uy as Chair for the fiscal year. Member Minas second the motion and all members agreed 3-0-1 with Uy abstaining. Member Minas motioned to elect Member Quero as Vice Chair for the fiscal year. Member Uy second the motion and all members agreed 3-0-1 with Member Quero abstaining.

3. FOR-SALE HOUSING POLICY

Staff Dorado provided a summary of the staff report, Exhibit 1 and presentation, Exhibit 2.

Member Quero inquired if HOA and Mello Roos were factored into housing expenses. Staff Dorado replied that is something being added and looked at more closely in the future when determining the affordable housing price since those costs can equate to several hundred dollars a month. Staff Kurz added that is also a potential negotiating point for future inclusionary housing developments.

Member Minas asked for clarification on the income qualification process for the existing residents at Mar Brisa and Sedona and Staff Kurz clarified that the existing residents would not be required to income qualify or meet ratios, that was done at initial qualification and they would only be reviewed for eligibility of the second modification if they were in good standing for 12 months. She further clarified that anyone that is not in good standing now would be eligible for the same modification after 12 months of good standing.

Chair Uy motioned to recommend that City Council approve the updates to Council Policy 453-02. Vice Chair Quero second the motion and the motion carried 4-0-0.

4. STAFF REPORTS

Project Updates:

❖ Lofts on Landis – Staff Kurz indicated that the project was approved by Planning Commission at the end of June and now the developer is waiting to find out if they will receive their tax credits. They will find out in late September and would have to pull building permits by late March if they receive them. Chair Uy asked what would happen if they are not awarded and staff Kurz replied that the developer had indicated they would wait until a year from now to apply again.

Housing Advisory Commission

Minutes

Page 2 of 2

- ❖ Congregational Towers – Construction has begun on the rehabilitation project and will be continuing over the next year. The rehabilitation is presenting challenges in construction staging issues within the urban core along Third Avenue, but the City is working with the construction company and residents/businesses surrounding the project.

5. MEMBER'S COMMENTS

None.

6. ORAL COMMUNICATIONS

None.

- 7. ADJOURNMENT** – HAC Meeting was adjourned at 5:15 p.m. when Vice Chair Quero motioned to adjourn with a second from Chair Uy, to the next regular meeting of October 23, 2013.

Recorder, Stacey Kurz

Exhibit 1 – For-Sale Housing Policy Update Staff Report
Exhibit 2 – For-Sale Housing Policy Update Presentation

The City of Chula Vista Development Services Housing Division
A REPORT TO THE
HOUSING ADVISORY COMMISSION

Item No. 2

Staff: Jose Dorado, Project Coordinator
Development Services Department, Housing Division

DATE: July 24, 2013

SUBJECT: Council Policy 453-02 - RECOMMENDATION OF APPROVAL TO THE CITY OF CHULA VISTA CITY COUNCIL AN UPDATE TO COUNCIL POLICY 453-02 RELATED TO THE DEVELOPMENT OF AFFORDABLE FOR-SALE HOUSING FOR LOW AND MODERATE INCOME BUYERS

I. RECOMMENDATION

That the Housing Advisory Commission recommend APPROVAL to the City of Chula Vista City Council an update to the City of Chula Vista's Affordable For-Sale Housing Policy 453-02 that was originally adopted on December 9, 2003 and last updated September 13, 2005.

II. BACKGROUND

The Affordable For-Sale Housing City Council Policy 453-02 (the "Policy") was adopted in 2003 to provide procedures and guidelines for Developers proposing to construct affordable for-sale housing opportunities within the City. The policy outlines mechanisms to ensure affordability of the sales price, sharing of sale proceeds to continue to promote affordable homeownership programs, loan qualification, and selection of qualified buyers. To date, 32 units within Sedona at Rolling Hills Ranch and 67 units at Mar Brisa at San Miguel Ranch have been developed utilizing this Policy.

Since the last amendment to the Policy in 2005, there have been drastic changes in the housing market, including a steep decline in U.S. home values and underwriting changes in the lending industry. In addition, with the elimination of State Redevelopment and the associated governing laws, some of the restrictions in the original Policy are no longer necessary or consistent with industry standards. Given the changes, revisions to the Policy are needed to ensure its continuing effectiveness for existing and future first time homeowners.

Staff is proposing revisions that will allow greater flexibility to those beneficiaries of the City's For-Sale Housing Program and to encourage long term homeownership. Such revisions include restructuring of the equity share between the City and homeowner, a reduction in the length of term of the Silent Second loan, underwriting criteria and procedures for a short sales and cases of hardship. In addition, clean up revisions are proposed to provide flexibility which include the applicability of the policy to moderate for-sale products and elimination of examples and language that may change over time and become obsolete. The proposed revisions are consistent with mortgage industry standards and are in line with program policies, at the federal and state level, that

have been adopted for those experiencing a hardship and facing foreclosure, such as Keep Your Home California and the Home Affordable Refinance Program (HARP).

Recommended Substantive Revisions to the Policy

Loan Term and Equity Share

The Policy requires the repayment of the Silent Second loan principal upon sale, transfer, refinance, rental or change of title on the property. Staff proposes reducing the shared equity term from the current Policy of 45 years, required under previous State Redevelopment law, to 15 years to coincide with more typical homeownership trends and the City's First Time Homebuyer Program. Proposed Table 1 of the Council Policy is revised to reflect equity share percentages between the City and the Homeowner based on the revised maximum length of the time (15 years) the Homeowner has occupied the property. Should a homeowner sell within one year, the City retains 100% of the equity in the property, minus the homeowner's expenses. The City's share of equity declines each year until year 15.

Underwriting Criteria

Staff has proposed updates to underwriting criteria to be consistent with the City's First Time Homebuyer Program and current industry underwriting standards to ensure qualified applicants are being selected for the program that will be able to sustain homeownership. Language is included to limit the use of funds gifted to the buyer.

Short Sale and Hardship

At the time of the adoption and the subsequent amendment to the Policy, home prices reached unprecedented double digit increases and the Policy did not reflect any potential decline in market conditions. With the significant downturn in the housing market in recent years, where home mortgages are significantly higher than market value, many homeowners are choosing to short sell or allow the property to enter into a default status. Given the existing policy term of 45 years and upside down mortgages, homeowners are provided with little incentive to maintain homeownership at the existing terms or to refinance.

Staff has proposed new language to recognize short sales and financial hardships. Prior to a short sale, homeowners will be required to seek homeownership counseling. Additionally, the Development Services Director will have the ability to review existing loan documents and approve loan principal reductions in a downturned economy for homeowners in good standing and seeking refinancing to more favorable terms. The proposed language will allow for coordination with Federal, and State foreclosure prevention programs, as previously mentioned.

Applicability to Existing Balanced Communities ("Inclusionary Housing") Projects

Since 2003, two developments have utilized the Policy; Sedona in Rolling Hills Ranch and Mar Brisa in San Miguel Ranch. Both projects provided affordable units through the City's Balanced Communities Policy. The City is currently working with Fannie Mae, Wells Fargo, and other parties involved in the first mortgages of these properties to address concerns regarding loan modifications and refinances. The update of the Policy will provide the Development Services Director the ability

July 26, 2013

Update to Council Policy 453-02

Page 3

to review the City's Silent Second loan documents and appropriately apply the Policy as necessary to allow these homeowners an opportunity to seek more favorable financing terms and maintain homeownership.

Moderate Income Buyers

The original Policy did not have provisions for moderate-income buyers. The proposed Policy would apply the underwriting criteria and terms as low-income buyers and coincide with the approved pricing guidelines as set forth in the City's Balanced Communities Policy Guidelines.

Recommended Clean Up Revisions to the Policy

Purpose

The Housing Element of the General Plan is updated every seven years. Therefore, goals and policies of the Housing Element are subject to change as housing needs may change over time. The revisions include the strikeout of the specific goals of the 1999-2020 Housing Element and replacement with language that states a general goal of providing for varied housing opportunities for the diverse needs of the community.

Examples



The existing Policy provides specific examples (reference struck out Tables 1-3 in Attachment 1) for loan assumptions, calculation of sales prices, and the Silent Second loan calculation. Additionally, County of San Diego Income Limits for 2005 and Housing Pricing based on these income limits serve as Attachments to the Policy. The examples and the Attachments are based on point in time information and subject to change over time and based on market conditions. Therefore, the examples and Attachments to the Policy are being deleted.

CONCLUSION

The Policy revisions promote long term affordability and encourage Chula Vista's working families to take advantage of opportunities for quality housing consistent with City housing goals. Without such changes, staff anticipates it will be difficult to find future buyers of for-sale products under this Policy due to excessive restrictions of the current language and additional defaults may occur with the existing complexes implemented under the Policy.

III. Exhibits

1. Updated Council Policy 453-02





*Development Services
Department*

Development of Affordable For Sale Housing for

Low-Moderate Income Buyers Council Policy No. 453-02 Update


July 24, 2013




*Development Services
Department*

Policy Intent

- Implement Housing Element Goals
- Procedures and Guidelines for the Development of Affordable For Sale Housing
 - Support affordable housing opportunities
 - Promote long-term homeownership
 - Mechanism to further additional housing







*Development Services
Department*

Current Policy

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*Development Services
Department*

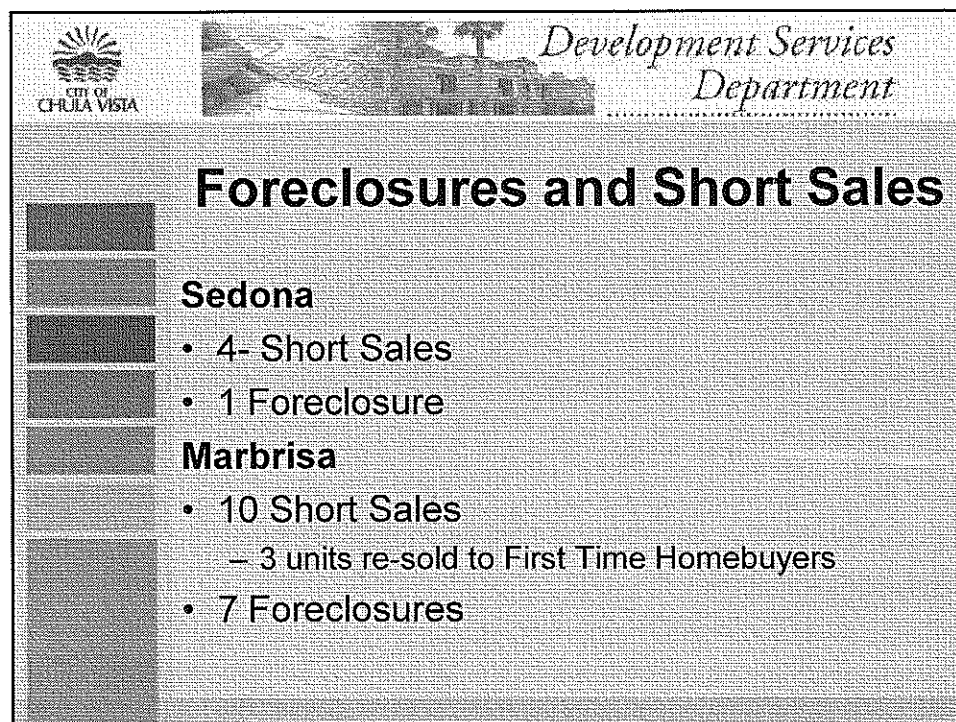
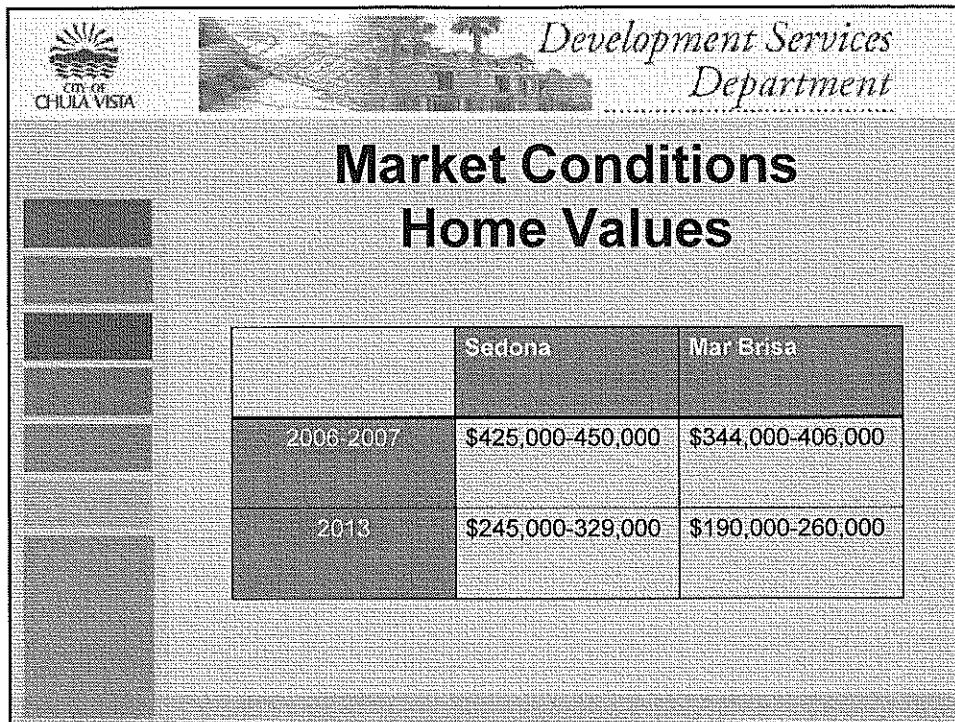
For-Sale Affordable Housing (Council Policy 453-02)

Sedona (32 Units)
Rolling Hills Ranch



Mar Brisa (67 Units)
San Miguel Ranch






*Development Services
Department*

Inclusionary Housing Unit Issues

- Navigating Hardship Programs
- Decreased Market Values
- Silent Second Loan Terms (45 year)



*Development Services
Department*

Policy Updates

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Long Term Affordability and Equity Share

- Reducing Equity Share from **45 years** to **15 Years**
- Mirrors City's First Time Homebuyer Program

*Development Services
Department*

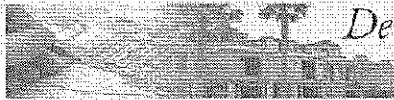

Underwriting Criteria Eligibility

- Establish a minimum front end ratio of 30%
- Maximum Gift Funds

*Development Services
Department*

Short Sale and Hardship

- Establish a short sale and hardship policy
- Apply the policy to existing projects (Sedona and Marbrisa)
- Review current Silent Second Loans

*Development Services
Department*

Moderate Income Buyers

- Add language to include moderate income buyers
- Provide underwriting criteria for moderate income buyers

The image is a presentation slide for the City of Chula Vista Development Services Department. The header at the top contains the City of Chula Vista logo on the left, a scenic photograph of a coastal town with a lighthouse in the center, and the text "Development Services Department" on the right. The main body of the slide is a light gray textured area. On the left side of this area is a vertical sidebar with seven rectangular buttons of varying shades of gray. The central part of the slide features the word "Questions?" in a large, bold, black sans-serif font. The footer is a solid dark gray bar.




City of
CHULA VISTA

Development Services
Department

Policy Updates

Long Term Affordability and Equity Share	Term
Underwriting Criteria	Ratios
Short Sale and Hardship	<ul style="list-style-type: none"> •Criteria •Existing Projects (Sedona and Marbrisa)
Moderate Income Buyers	Add to the Policy
Clean Up	<ul style="list-style-type: none"> •Updated Goals and Objectives Strike out examples

The City of Chula Vista Housing Authority
A REPORT TO THE
HOUSING ADVISORY COMMISSION

Item No. 2

Staff: Jose Dorado
Project Coordinator II

DATE: November 13, 2013

SUBJECT: **KIKU GARDENS APARTMENTS** - RECOMMENDATION OF APPROVAL TO THE HOUSING AUTHORITY TO CONDITIONALLY APPROVE A TAX EXEMPT BOND OF UP TO \$12 MILLION FOR THE FINANCING OF THE REHABILITATION OF EXISTING AFFORDABLE UNITS AT KIKU GARDENS APARTMENTS (1260 THIRD AVENUE)

I. RECOMMENDATION

That the Housing Advisory Commission recommend **APPROVAL** to the Housing Authority to conditionally approve a tax exempt bond not to exceed \$12 million for the financing of the rehabilitation of existing affordable senior housing units at the Kiku Gardens Apartments.

II. BACKGROUND

The City of Chula Vista has received a request from C&C Development Group, dba RAHD Group ("Applicant") to consider the issuance of tax exempt obligations to finance the acquisition and rehabilitation of 100 existing affordable units at Kiku Gardens Apartments (the "Project"). Kiku Gardens Apartments are located at 1260 Third Avenue in southwest Chula Vista. The rehabilitation will improve the property and extend the term of the affordable rents.

The Applicant is preparing an application for an allocation of tax credits and tax-exempt private activity bonds for multi-family projects from the California Debt Limit Allocation Committee (CDLAC) and is requesting that the Housing Authority of the City of Chula Vista be the conduit bond issuer for an aggregate amount not to exceed \$12 million. The application must be submitted by March 21, 2014. The bond allocation and tax credit contributions will be used to substantially finance the Project.

III. PROJECT DESCRIPTION

The Applicant

The Applicant is currently under contract to purchase the Project located at 1260 Third Avenue. The Applicant has successfully acquired and rehabilitated over 450 residential units in California, 355 in San Diego, previously funded through the Department of Housing and Urban Development (HUD).

Upon close of escrow, the Applicant and Hearthstone Housing Foundation, a nonprofit service agency organized under section 501(c)(3) of the Internal Revenue Service Code, will create a new limited partnership, Kiku Gardens Housing Partners, LP to own and operate the Project. The new partner, Hearthstone Housing Foundation ("Hearthstone") will serve as the managing general partner and will provide supportive services to the residents. Hearthstone is a nonprofit organization formed in 1991. Hearthstone currently provides services to Hillside Apartments in San Diego and Spring Villa Apartments in Spring Valley.

The Property

The property is a 32 year old garden apartment complex with 100 affordable units for senior citizens originally financed through HUD. Features include multiple common areas including a library, kitchen, community room, and laundry room. A service coordinator is on-site that plans social gatherings, arranges transportation for medical appointments, shopping, etc.

The Proposal

With the age of the property, it is in need of rehabilitation to ensure continued long term use and viability. To take advantage of tax credits, the existing owner, Kiku Gardens, will sell the project to the new partnership formed by the Applicant named a California limited partnership that will acquire and rehabilitate the property using bond financing and tax credits. The scope of the proposed renovation includes full apartment interior renovations, new roof, mechanical systems, electrical system, plumbing system, and other exterior finishes.

Income and Rent Restrictions

For the bond financing, Section 142 (d) of the Internal Revenue Services Code requires either a minimum of 20 percent of the rental units in the Project to be available for occupancy by persons or families whose income does not exceed 50 percent of the area median income (AMI) for the San Diego Primary Metropolitan Statistical Area, or alternatively, at least 40 percent of the rental units are required to be available for occupancy by persons or families whose income does not exceed 60 percent of the AMI. The units are also to be made available at affordable rents established by the applicable State law.

The project will exceed the affordability requirements by setting aside 30 units for very low income households at 50 percent of AMI, and 70 units for low income households at 60 percent of AMI. Kiku Gardens will continue to operate the entire project as an affordable project, with 100 units affordable to lower income households (1 unit reserved for resident manager). The bond regulatory agreement will restrict 100 units for low income households with 30 units at 50 percent of AMI and 69 units at 60 percent of AMI, with one unit set aside for the resident manager. The bond restricted rents will be based upon HUD income limits established for the year.

Unit Description	No. of Units	Target Income Level	Affordable Rent Limit	Tenant Pays
1 Bd/1 Ba	69	60% AMI	\$907	30% of their income
1 Bd/1 Ba	30	50% AMI	\$756	30% of their income
	1	Manager	-	-
Total Restricted	100			

The Project also has an existing Section 8 financing contract with HUD. This allows the tenants to pay only 30% of their income, with HUD paying the remaining portion of the rent. The applicant has applied for a Section 8 rent increase based on post rehabilitation market rent which will increase the One Bedroom to \$1,150. The request will not increase the amount currently paid by the tenants due to the HUD assistance.

The Project proposes to maintain the income and rent restrictions for Kiku Gardens for a period not less than fifty-five years, exceeding the 30-year term of the bonds. The income and rent restrictions outlined above are to be incorporated into the Regulatory Agreement for the bonds, which will be recorded against the property.

Compliance with the income and rent restrictions will be subject annually to a regulatory audit and annual tax credit certification. Compliance with strict property management policies and procedures will ensure that income and rent restrictions will be maintained for the full 55-year compliance period.

IV. FINANCIAL ASSISTANCE

Form of Assistance

The Property Owner will be using Tax Exempt Multi-Family Revenue Bonds and Low Income Housing Tax Credit financing to support the majority of the estimated \$15.75 million total development cost of the Project. The Applicant has requested the Housing Authority consider the issuance of \$12 million in tax exempt bonds to be made available as a public offering for short term tax exempt bonds, with a long term taxable loan from Freddie Mac, as guarantor and Citi Community Capital as servicer. The Applicant will also apply for approximately \$4.6 million in Low Income Housing Tax Credits. The permanent Bonds and Tax Credits would cover almost 80 percent of the estimated cost. The balance is expected to be provided by seller financing. HUD will allow the financing and provide a 20 year Section 8 contract for the property.

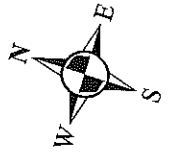
Bond financing is a self-supporting program with the borrower (Applicant) responsible for the payment of all costs of issuance and other costs and repayment of the bonds. All costs related to the issuance of the bonds will be paid for from bond proceeds. The bonds will be secured by the project and will not constitute a liability to or obligation of the City or Housing Authority.

The City of Chula Vista Housing Authority will receive compensation for its services in preparing the bond issuance by charging an origination fee of 1/8 of 1% of the bond issuance. The Housing Authority will also receive compensation for ongoing monitoring compliance of the regulatory restrictions from an annual administrative fee paid by the borrower (1/8 of 1% of the outstanding bond issuance).

V. Exhibits

1. Locator Map

Prepared by: Jose Dorado, Project Coordinator II, Development Services Department, Housing Division



LOCATOR MAP

OXFORD ST

THIRD AV

KENNEDY ST

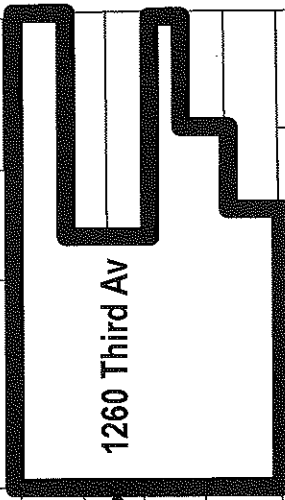
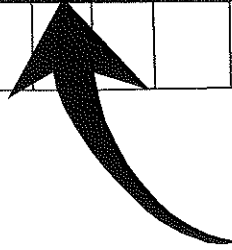
THIRD AV

PALOMAR ST

FOURTH AV

1260 Third Av

**PROJECT
LOCATION**



RESOLUTION NO. 2013-01

RESOLUTION OF THE HOUSING ADVISORY COMMISSION
OF THE CITY OF CHULA VISTA CHANGING THE TIME OF
REGULAR MEETINGS

WHEREAS, Municipal Code Section 2.35 establishes the regular meeting for the Housing Advisory Commission on a quarterly basis on the fourth Wednesday of July, October, January, and April at 3:30 p.m., in the Council Conference Room (C-101), located in Building 100 (City Hall) in the Civic Center at 276 Fourth Avenue; and

WHEREAS, Municipal Code Section 2.25.200 provides for a change in meeting time upon adoption by the board/commission a written resolution, which adoption shall be recorded in the minutes of the board/commission and a copy of which resolution shall be forwarded to the City Council; and

WHEREAS, the Housing Advisory Commission wishes to change its meeting time to 4:00 p.m. to facilitate member attendance.

NOW, THEREFORE, BE IT RESOLVED that the Housing Advisory Commission of the City of Chula Vista, pursuant to Municipal Code § 2.25.200, does hereby change the time of its regular meetings to a quarterly basis on the fourth Wednesday of July, October, January, and April at 4:00 p.m., in the Council Conference Room (C-101), located in Building 100 (City Hall) in the Civic Center at 276 Fourth Avenue.

PASSED, APPROVED, and ADOPTED by the Housing Advisory Commission of the City of Chula Vista, California, this 13th day of November, 2013, by the following vote:

AYES:	Commissioners:	Hamilt, Minas, Quero, Torre, Uy
NAYS:	Commissioners:	None
ABSENT:	Commissioners:	None

Lillian Uy, Chair

ATTEST:

Stacey Kurz, Commission Secretary